

**82 Albert Hall Mansions,
Kensington Gore,
London SW7 2AG**

Mr Sandy Crombie,
Group CEO,
Standard Life Assurance Company,
30 Lothian Road,
Edinburgh,
EH1 2DH

16 February 2006

Dear Mr Crombie,

Mike Arnold and I recently sent you copies of our correspondence. My purpose in writing to him was to get the best possible deal for members out of any Standard Life flotation. This is the same as maximising the value of the group, and is identical to your aim.

It is quite clear now that value is maximised by creating two essential features in a company. These are a tightly constructed capital base and management incentives which put the owners' interests first. These features are at one with my recent letters to Mike Arnold.

Firstly, Standard Life's distribution to members at flotation should be as bond like as possible. The advantages are:

1. Downside protection for members as they invest in a turnaround company.
2. Increased attraction of the issue to new investors.
3. The operation of a demanding and disciplined financing structure on management.

Secondly, management's financial interests should be tied in closely and substantially to the performance of the company's ordinary shares. Management should be required to invest an amount equal to twice their annual salary in the company's ordinary shares. Bonuses should be contingent on demanding performance standards being achieved – such as the shares delivering a stock market return in the upper quartile of the FTSE 100 index.

The advantages are:

1. Management's money is at risk before members'.
2. Bonuses are only paid for achieving real value.
3. Transparency.

A growing number of members are asking for this.

Yours sincerely,

Michael Hogan